

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marilyn Reis	President	2011
Duane Bodermann	Vice President	2013
Jan Carman	Board Member	2011
Jeff Murphy	Board Member	2011
Karlos McClure	Board Member	2013
<u>School Officials</u>		
Dianne Anderson	Superintendent	2012
Sue Murphy	District Secretary/Treasurer	2011
Gruhn Law Firm	Attorney	Indefinite
Ahlers and Cooney PC	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2012 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 20 and 60 through 62 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
February 22, 2012

**Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

The Howard-Winneshiek Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. Financial statements include a Change in Net Assets, a Condensed Statement of Net Assets and a Statement of Activities, which provide information about the activities of the District as a whole and present a long-term view of the District's finances.

Financial Highlights

Factors Affecting 2011 Financial Statement ending June 30, 2011

The District's revenues totaled \$16,962,664 for the year ended June 30, 2011, a 5.5 percent increase from the prior year. Revenues included \$7,194,369 in local tax, charges for service of \$1,275,585, operating grants and contributions of \$2,541,683, capital grants and contributions of \$72,804, unrestricted interest of \$19,601 and other general revenues of \$5,858,622.

Expenses for the District operations totaled \$15,447,421, a 12.1 percent decrease from the prior year. Expenses included \$9,094,474 for instruction, \$1,270,858 for administration services, and \$1,173,213 for operation and maintenance.

The increase in General Fund revenues were attributable to increases in tuition and state sources. The decrease in expenditures was due primarily to decreases in instructional staff services, operation and maintenance services, and salary and benefit costs.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Howard-Winneshiek Community School District as a financial whole, or as an entire operating entity.

District-wide Financial Statements

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. Net assets and how they have changed are one way to measure the District's financial health or position.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Thus the governmental fund statements provide a detailed short-term view of how educational and operational services were funded as well as what funding is available in the near future to finance the District's programs. The difference between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. This fund is reported in the same way as the District-wide statements. The District's proprietary fund is the *Enterprise, School Nutrition Fund*. This fund is used to account for the food service operations of the District.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District's fiduciary funds include the Agency Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The District uses different funds in accordance with the Uniform Financial Accounting for Iowa Lea's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Capital Projects Fund.

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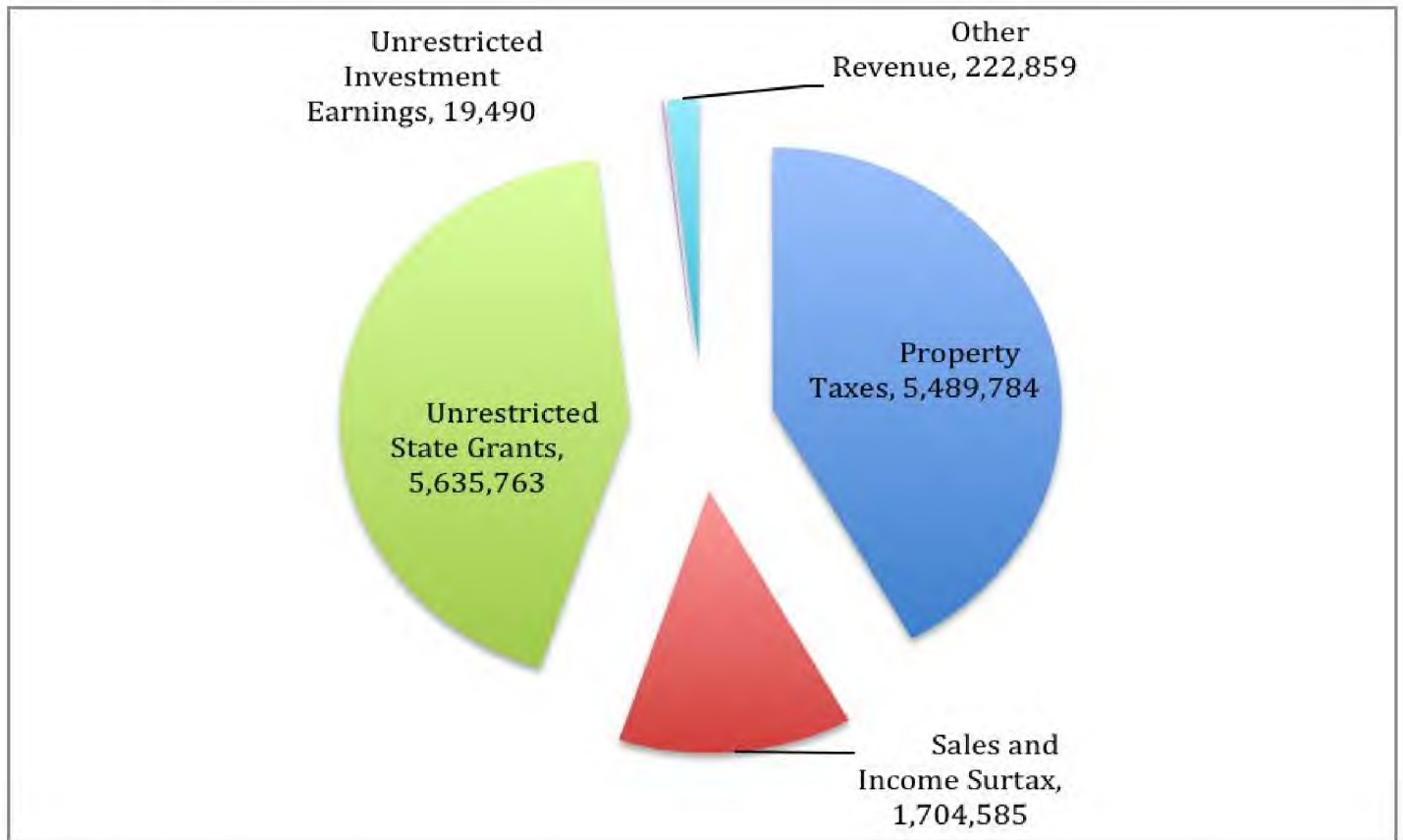
Overall district wide net assets increased \$1,515,243 for the year. Total revenues increased by 5.55 percent from the prior year and expenses decreased by 12.15 percent from the prior year, the District continues to retire debt at a faster rate than capital assets are depreciating.

The following is a summary perspective of the statement of net assets of the District as a whole for the year ending June 30, 2011. The Howard-Winneshiek Community School District's net assets at the end of the fiscal year 2011 totaled \$12,522,541

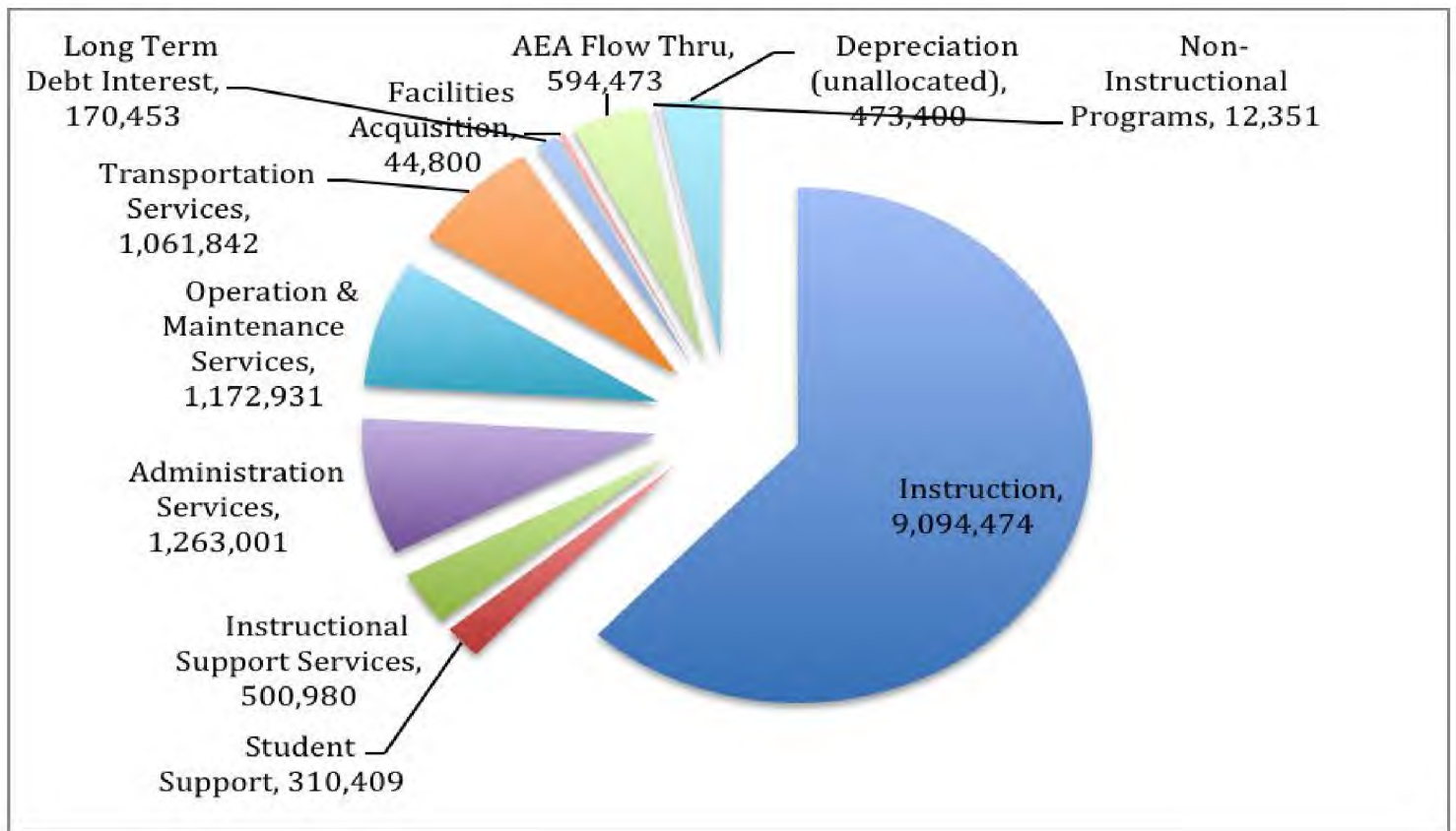
	Changes in Net Assets			
	Governmental Activities		Business-type Activities	
	2010	2011	2010	2011
Revenue				
Program Revenue				
Charge for Services	973,596	885,516	401,891	390,069
Operating Grants	2,115,558	2,157,441	348,262	384,242
Capital Grants and Contributions	35,411	72,804	1,899	
General Revenue				
Property Taxes	5,042,882	5,489,784		
Sales and Income Surtax	1,523,118	1,704,585		
Unrestricted State Grants	5,463,163	5,635,763		
Unrestricted Investment Earnings	33,398	19,490	104	111
Other Revenue	131,730	222,859		
Loss on Disposal of Building				
Total Revenue	15,318,856	16,188,242	752,156	774,422
Program Expense				
Instruction	10,355,609	9,094,474		
Student Support	415,542	310,409		
Instructional Support Services	801,802	500,980		960
Administration Services	1,564,688	1,263,001	11,153	7,857
Operation & Maintenance Services	1,276,097	1,172,931	1,481	282
Transportation Services	992,549	1,061,842		
Long Term Debt Interest	235,065	170,453		
Facilities Acquisition	139,585	44,800		
AEA Flow Thru	578,150	594,473		
Non-Instructional Programs	80,658	12,351	676,537	692,252
Depreciation (unallocated)	454,477	473,400		
Special item loss on disposal of building		46,956		
Total Expenses	16,894,222	14,746,070	689,171	701,351
Change in net assets	-1,575,366	1,442,172	62,985	73,071
NET ASSETS beginning of year	12,375,081	10,799,715	144,598	207,583
NET ASSETS End of Year	\$ 10,799,715	\$ 12,241,887	\$ 207,583	\$ 280,654

Total		Total Percentage Change
2010	2011	
1,375,487	1,275,585	-7.26%
2,463,820	2,541,683	3.16%
37,310	72,804	95.13%
5,042,882	5,489,784	8.86%
1,523,118	1,704,585	11.91%
5,463,163	5,635,763	3.16%
33,502	19,601	-41.49%
131,730	222,859	69.18%
16,071,012	16,962,664	5.55%
10,355,609	9,094,474	-12.18%
415,542	310,409	-25.30%
801,802	501,940	-37.40%
1,575,841	1,270,858	-19.35%
1,277,578	1,173,213	-8.17%
992,549	1,061,842	6.98%
235,065	170,453	-27.49%
139,585	44,800	-67.90%
578,150	594,473	2.82%
757,195	704,603	-6.95%
454,477	473,400	4.16%
	46,956	
17,583,393	15,447,421	-12.15%
-1,512,381	1,515,243	
12,519,679	11,007,298	
\$ 11,007,298	\$ 12,522,541	

The following chart indicates total District Governmental Activities General Revenue by percentage for 2010-2011



The following chart indicates total District Governmental Activities Expenses by percentage for 2010-2011



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Condensed Statement of Net Assets

A Comparative analysis of fiscal year 2010 to 2011 follows:

<u>Condensed Statement of Net Assets</u>				
	Governmental Activities		Business-Type Activities	
	2010	2011	2010	2011
Current and Other Assets	\$11,545,232	\$13,253,058	\$178,463	\$244,224
Capital Assets	12,251,799	11,750,570	75,622	90,354
Total Assets	23,797,031	25,003,628	254,085	334,578
Long-Term Obligations	5,731,581	4,885,024	0	
Other Liabilities	7,265,735	7,876,717	46,502	53,924
Total Liabilities	12,997,316	12,761,741	46,502	53,924
Invested in Capital Assets net of related debt	9,121,861	9,098,118	75,622	90,354
Restricted	2,169,497	2,981,981		
Unrestricted	-491,643	161,788	131,961	190,300
Total Net Assets	\$10,799,715	\$12,241,887	\$207,583	\$280,654

Total		Total Percentage Change
2010	2011	2011
\$11,723,695	\$13,497,282	15.13%
\$12,327,421	\$11,840,924	-3.95%
----- 24,051,116	----- 25,338,206	----- 5.35%
\$5,731,581	\$4,885,024	-14.77%
\$7,312,237	\$7,930,641	8.46%
----- 13,043,818	----- 12,815,665	----- -1.75%
\$9,197,483	\$9,188,472	-0.10%
\$2,169,497	\$2,981,981	37.45%
-\$359,682	\$352,088	-197.89%
----- \$11,007,298	----- \$12,522,541	----- 13.77%

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of **\$4,784,902** a **\$1,116,584** increase from the 2010 fiscal year end balance of **\$3,668,318**. The primary reason for the increase in combined fund balance for fiscal year 2011 was due to the increase of revenues and decrease of expenditures in the General and the Non-major Governmental Funds, Student Activity and Debt Service.

Budgetary Highlights

In accordance with the Code of Iowa, the District's Board of Education annually adopts a budget, following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year as allowed by Iowa law to reflect the additional revenues and expenditures that may occur during the school year. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the combined functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year the district amended its budget one time by increasing expenditures by \$285,000 for increases in special education costs, spending Microsoft settlement dollars, increased food expenses, and early retirement expenses.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The following table shows the original budget for the fiscal year 2011 as well as actual revenues and expenditures for the year:

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 8,156,350	\$ 390,180	\$ 8,546,530	\$ 8,214,425	\$ 8,214,425	\$ 332,105
State sources	7,126,600	6,118	7,132,718	8,596,343	8,596,343	(1,463,625)
Federal sources	948,442	378,124	1,326,566	960,000	960,000	366,566
Total revenues	16,231,392	774,422	17,005,814	17,770,768	17,770,768	(764,954)
EXPENDITURES/EXPENSES:						
Instruction	9,203,216	-	9,203,216	9,835,000	9,995,000	791,784
Support services	4,294,836	9,099	4,303,935	5,135,824	5,135,824	831,889
Non-instructional programs	25,141	692,252	717,393	695,000	820,000	102,607
Other expenditures	1,591,991	-	1,591,991	2,782,735	2,782,735	1,190,744
Total expenditures/expenses	15,115,184	701,351	15,816,535	18,448,559	18,733,559	2,917,024
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,116,208	73,071	1,189,279	(677,791)	(962,791)	2,152,070
Other financing sources, net	376	-	376	5,000	5,000	(4,624)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,116,584	73,071	1,189,655	(672,791)	(957,791)	2,147,446
Balance beginning of year	3,668,318	207,583	3,875,901	2,485,359	2,485,359	1,390,542
Balance end of year	<u>\$ 4,784,902</u>	<u>\$ 280,654</u>	<u>\$ 5,065,556</u>	<u>\$ 1,812,568</u>	<u>\$ 1,527,568</u>	<u>\$ 3,537,988</u>

See accompanying independent auditor's report.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2011 fiscal year, the District had invested \$11,840,924, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, vehicles, technology and computers, classroom equipment and transportation equipment. This amount represents a net decrease of \$486,497 or negative 3.95 percent from last year. More detailed information about capital assets is available in the Capital Assets chart below. Total depreciation expense for the year (excluding land) was \$670,126.

Capital Assets, (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2011
Land (not being depreciated)	721,253	720,404			721,253	720,404	-0.12%
Buildings	10,379,154	9,921,276			10,379,154	9,921,276	-4.41%
Improvements other than buildings	331,860	278,682			331,860	278,682	-16.02%
Furniture and Equipment	798,271	703,919	75,622	90,354	873,893	794,273	-9.11%
Construction in Progress	21,261	126,289	0		21,261	126,289	493.99%
Total	12,251,799	11,750,570	75,622	90,354	12,327,421	11,840,924	-3.95%
					Total Difference	-486,497	decrease

Long-Term Debt

At June 30, 2011, the District had \$4,885,024 in general obligation and other long-term debt outstanding. This represents a decrease of 14.8% from last year. More detailed information about the District's long-term liabilities is available in the District's audit report Note 6 to the financial statements.

Outstanding Long-Term Obligations			
	Total School District 2010		Total School District 2011
Early Retirement	\$1,420,581		\$1,129,024
General Obligations Bonds	\$0		\$0
Local Option Sales and Service Tax Revenue Bonds	\$3,820,000		\$3,420,000
Capital Lease Purchase Agreement	\$445,000		\$200,000
Net OPEB Capitalized Liability	\$46,000		\$136,000
Totals	\$5,731,581		\$4,885,024

In April of 2010 the District offered a voluntary early retirement plan to its employees. As of June 30, 2011 the District has obligations to twenty-seven participants with a total liability of \$1,129,024.

In 2001 the District entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, maintenance, and administration of a school building to be used jointly by the District and the College. At the end of five years, the College had the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. The College did not exercise their purchase option. The District has the option to purchase the facility for \$1 at the end of the ten years. The last debt payment on the NICC building is June 2012.

The District also has outstanding long-term obligations payable from local option sales and tax revenue bonds, physical plant and equipment .67 cent levy, and capital project funds as of June 30, 2011.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the near future.

- Revenue received by the State of Iowa continues to be less than original projections. For fiscal year 2012 budget the State of Iowa has approved 2% allowable growth. Any reduction in state aid would adversely impact the District's ability to fund program and services at current levels.
- IPERS (Iowa Public Employees' Retirement System) increased contributions for fiscal year 2012 from 8.07% to 8.67%. This increase impacts our General Fund and drives up payroll costs at the expense of the District.
- District enrollment projections point to a decline in enrollment for fiscal year 2011-2012. Future enrollment stability is a critical element in maintaining a sound financial foundation. The District has reserved spending authority to handle a short-term dip in revenue. Fiscal monitoring procedures should include a Financial Health Report to the Board of Education and to the Finance Committee to monitor estimated unspent authorized budget calculation including miscellaneous income to reflect financial position and spending authority as well as a 3-year end of month cash comparison of all funds. The Board of Education will be faced with the challenge of reducing expenditures to maintain a positive solvent position as well as unspent balance budget authority for 2011-2012.

The Board is making a financial commitment in the amount of \$250,000 (local option sales tax proceeds) to the Lime Springs/Chester Spring Ahead Learning Center building project in conjunction with other grants/revenues raised by the Spring Ahead Learning Board to erect the building structure proposed (\$1.2 to \$1.3 million). The district will need to consider maintenance and operational costs and the financial operating budget commitment of the community for the operation of a year round day care facility.

- The district will no longer be receiving the Federal Education Job Funds which totaled \$277,000 to our District. This will impact the 2012-2013 General Fund as this burden will be placed back on the General Fund, and decisions will need to be made to keep staff that were hired with the Education Job Funds.
- The District has started the strategic planning process by holding committees in the areas of finance, facilities, student achievement and communications. Each committee when completed will bring recommendations to the Board of Education which will assist the Board to develop a strong strategic plan.
- The District has gone through several executive level changes in the past year and the Board will need to keep this in mind moving forward in regards to finance and operational changes within the school district. Internal controls are being implemented to ensure sound fiscal management. An example is the Purchase Order Manual that was developed by the Business Manager and approved by the Board of Education. Another implementation is a line item budget that is available to all administrators and directors to track their budgets and be fiscally responsible when making building purchasing choices.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Gaus, District Secretary/Treasurer and Business Manager, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, IA 52136

Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,112,297	\$ 188,802	\$ 6,301,099
Receivables:			
Property tax:			
Current year	75,517	-	75,517
Succeeding year	5,856,252	-	5,856,252
Income surtax	661,759	-	661,759
Accrued interest	735	-	735
Accounts	9,726	6,082	15,808
Due from other governments	523,876	23,997	547,873
Inventories	-	25,343	25,343
Prepaid expenses	12,896	-	12,896
Capital assets, net of accumulated depreciation (note 5)	11,750,570	90,354	11,840,924
Total assets	25,003,628	334,578	25,338,206
Liabilities			
Accounts payable	434,168	5,513	439,681
Salaries and benefits payable	1,181,933	42,276	1,224,209
Accrued interest payable	70,320	-	70,320
Deferred revenue:			
Succeeding year property tax	5,856,252	-	5,856,252
Other	334,044	6,135	340,179
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	287,731	-	287,731
Bonds payable	400,000	-	400,000
Capital lease purchase agreement	200,000	-	200,000
Portion due after one year:			
Early retirement	841,293	-	841,293
Bonds payable	3,020,000	-	3,020,000
Net OPEB liability	136,000	-	136,000
Total liabilities	12,761,741	53,924	12,815,665

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 9,098,118	\$ 90,354	\$ 9,188,472
Restricted for:			
Categorical funding (note 12)	251,805	-	251,805
Physical plant and equipment levy	807,342	-	807,342
Student activities	355,922	-	355,922
Debt service	640,637	-	640,637
Capital projects	926,275	-	926,275
Unrestricted	<u>161,788</u>	<u>190,300</u>	<u>352,088</u>
Total net assets	<u>\$ 12,241,887</u>	<u>\$ 280,654</u>	<u>\$ 12,522,541</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,094,474	\$ 617,888	\$ 1,502,944	\$ -
Support services:				
Student services	310,409	210,642	7,980	-
Instructional staff services	500,980	-	-	-
Administration services	1,263,001	-	-	-
Operation and maintenance of plant services	1,172,931	33,738	-	-
Transportation services	1,061,842	23,248	52,044	-
	4,309,163	267,628	60,024	-
Non-instructional programs	12,351	-	-	-
Other expenditures:				
Facilities acquisition	44,800	-	-	72,804
Long-term debt interest and fiscal charges	170,453	-	-	-
AEA flowthrough	594,473	-	594,473	-
Depreciation (unallocated) *	473,400	-	-	-
	1,283,126	-	594,473	72,804
Total governmental activities	14,699,114	885,516	2,157,441	72,804

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (6,973,642)	\$ -	\$ (6,973,642)
(91,787)	-	(91,787)
(500,980)	-	(500,980)
(1,263,001)	-	(1,263,001)
(1,139,193)	-	(1,139,193)
(986,550)	-	(986,550)
(3,981,511)	-	(3,981,511)
(12,351)	-	(12,351)
28,004	-	28,004
(170,453)	-	(170,453)
-	-	-
(473,400)	-	(473,400)
(615,849)	-	(615,849)
(11,583,353)	-	(11,583,353)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Instructional staff services	\$ 960	\$ -	\$ -	-
Administration services	7,857	-	-	-
Operation and maintenance of plant services	282	-	-	-
	<u>9,099</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	<u>692,252</u>	<u>390,069</u>	<u>384,242</u>	-
Total business-type activities	<u>701,351</u>	<u>390,069</u>	<u>384,242</u>	-
Total	\$ 15,400,465	\$ 1,275,585	\$ 2,541,683	\$ 72,804

General revenues:

Property tax levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Special item - loss on disposal of building

Total general revenues and special items

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (960)	\$ (960)
	(7,857)	(7,857)
-	(282)	(282)
-	(9,099)	(9,099)
-	82,059	82,059
-	72,960	72,960
(11,583,353)	72,960	(11,510,393)
\$ 5,302,784	\$ -	\$ 5,302,784
187,000	-	187,000
616,311	-	616,311
1,088,274	-	1,088,274
5,635,763	-	5,635,763
19,490	111	19,601
222,859	-	222,859
(46,956)	-	(46,956)
13,025,525	111	13,025,636
1,442,172	73,071	1,515,243
10,799,715	207,583	11,007,298
<u>\$ 12,241,887</u>	<u>\$ 280,654</u>	<u>\$ 12,522,541</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,311,627	\$ 2,486,435	\$ 1,314,235	\$ 6,112,297
Receivables:				
Property tax:				
Current year	67,419	2,556	5,542	75,517
Succeeding year	5,069,175	213,334	573,743	5,856,252
Income surtax	441,173	220,586	-	661,759
Accrued interest	-	-	735	735
Accounts	5,336	781	3,609	9,726
Due from other governments	284,715	239,161	-	523,876
Prepaid expenses	12,896	-	-	12,896
Total assets	\$ 8,192,341	\$ 3,162,853	\$ 1,897,864	\$ 13,253,058

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 393,544	\$ 29,588	\$ 11,036	\$ 434,168
Salaries and benefits payable	1,181,933	-	-	1,181,933
Deferred revenue:				
Succeeding year property tax	5,069,175	213,334	573,743	5,856,252
Other	775,217	220,586	-	995,803
Total liabilities	<u>7,419,869</u>	<u>463,508</u>	<u>584,779</u>	<u>8,468,156</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	12,896	-	-	12,896
Restricted for:				
Categorical funding (note 12)	251,805	-	-	251,805
Revenue bonds	-	218,000	176,500	394,500
Revenue bonds sinking fund	-	-	269,554	269,554
Debt service	-	-	46,137	46,137
Management levy purposes	-	-	464,972	464,972
Student activities	-	-	355,922	355,922
School infrastructure	-	1,893,823	-	1,893,823
Physical plant and equipment	-	587,522	-	587,522
Unassigned	507,771	-	-	507,771
Total fund balances	<u>772,472</u>	<u>2,699,345</u>	<u>1,313,085</u>	<u>4,784,902</u>
Total liabilities and fund balances	<u>\$ 8,192,341</u>	<u>\$ 3,162,853</u>	<u>\$ 1,897,864</u>	<u>\$ 13,253,058</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 4,784,902
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,750,570
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	661,759
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(70,320)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,885,024)</u>
Net assets of governmental activities	<u>\$ 12,241,887</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,322,534	\$ 1,486,506	\$ 400,572	\$ 7,209,612
Tuition	215,829	-	-	215,829
Other	256,225	104,671	370,013	730,909
State sources	7,121,720	4,654	226	7,126,600
Federal sources	895,322	53,120	-	948,442
Total revenues	<u>13,811,630</u>	<u>1,648,951</u>	<u>770,811</u>	<u>16,231,392</u>
Expenditures:				
Current:				
Instruction	<u>8,683,286</u>	<u>-</u>	<u>519,930</u>	<u>9,203,216</u>
Support services:				
Student services	308,468	-	-	308,468
Instructional staff services	477,796	20,528	-	498,324
Administration services	1,218,164	10,367	75,557	1,304,088
Operation and maintenance of plant services	1,087,213	-	101,792	1,189,005
Transportation services	855,585	92,933	46,433	994,951
	<u>3,947,226</u>	<u>123,828</u>	<u>223,782</u>	<u>4,294,836</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>25,141</u>	<u>25,141</u>
Other expenditures:				
Facilities acquisition	-	158,279	-	158,279
Long term debt:				
Principal	-	-	645,000	645,000
Interest and fiscal charges	-	-	194,239	194,239
AEA flowthrough	594,473	-	-	594,473
	<u>594,473</u>	<u>158,279</u>	<u>839,239</u>	<u>1,591,991</u>
Total expenditures	<u>13,224,985</u>	<u>282,107</u>	<u>1,608,092</u>	<u>15,115,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>586,645</u>	<u>1,366,844</u>	<u>(837,281)</u>	<u>1,116,208</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 375	\$ -	\$ -	\$ 375
Sale of real property	-	1		1
Interfund transfers in (note 3)	-	-	812,833	812,833
Interfund transfers out (note 3)	-	(812,833)	-	(812,833)
Total other financing sources (uses)	375	(812,832)	812,833	376
Net change in fund balances	587,020	554,012	(24,448)	1,116,584
Fund balances beginning of year, as restated (note 14)	185,452	2,145,333	1,337,533	3,668,318
Fund balances end of year	<u>\$ 772,472</u>	<u>\$ 2,699,345</u>	<u>\$ 1,313,085</u>	<u>\$ 4,784,902</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,116,584

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 199,687	
Depreciation expense	<u>(653,960)</u>	(454,273)

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (46,956)

Income surtax and other revenues not received until several months after the District's fiscal year end are not considered available revenues in the governmental funds and are deferred. They are, however, recorded as revenue in the Statement of Activities. (43,526)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 645,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 23,786

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	291,557	
Net OPEB liability	<u>(90,000)</u>	<u>201,557</u>

Change in net assets of governmental activities \$ 1,442,172

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	School Nutrition	Enterprise Nonmajor- Childcare	Total	Internal Service Flexible Benefits
Assets				
Cash and cash equivalents	\$ 167,820	\$ 20,982	\$ 188,802	\$ 2,200
Accounts receivable	6,082	-	6,082	-
Due from other governments	23,997	-	23,997	-
Inventories	25,343	-	25,343	-
Capital assets, net of accumulated depreciation (note 5)	90,354	-	90,354	-
Total assets	313,596	20,982	334,578	2,200
Liabilities				
Accounts payable	5,513	-	5,513	-
Salaries and benefits payable	42,276	-	42,276	-
Deferred revenue	6,135	-	6,135	-
Total liabilities	53,924	-	53,924	-
Net Assets				
Invested in capital assets	90,354	-	90,354	-
Unrestricted	169,318	20,982	190,300	2,200
Total net assets	\$ 259,672	\$ 20,982	\$ 280,654	\$ 2,200

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

	School Nutrition	Enterprise Nonmajor- Childcare	Total	Internal Service Flexible Benefits
Operating revenues:				
Local sources:				
Charges for services	\$ 390,069	\$ -	\$ 390,069	\$ 40,570
Operating expenses:				
Support services:				
Instructional staff services	960	-	960	-
Administration services	7,857	-	7,857	-
Operation and maintenance of plant services	282	-	282	-
Non-instructional programs	692,252	-	692,252	42,440
	<u>701,351</u>	<u>-</u>	<u>701,351</u>	<u>42,440</u>
Operating loss	(311,282)	-	(311,282)	(1,870)
Non-operating revenues:				
Interest on investments	89	22	111	3
State sources	6,118	-	6,118	-
Federal sources	378,124	-	378,124	-
Total non-operating revenues	<u>384,331</u>	<u>22</u>	<u>384,353</u>	<u>3</u>
Change in net assets	73,049	22	73,071	(1,867)
Net assets beginning of year	<u>186,623</u>	<u>20,960</u>	<u>207,583</u>	<u>4,067</u>
Net assets end of year	<u>\$ 259,672</u>	<u>\$ 20,982</u>	<u>\$ 280,654</u>	<u>\$ 2,200</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Enterprise Nonmajor- Childcare	Total	Internal Service Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 380,177	\$ -	\$ 380,177	\$ -
Cash received from miscellaneous operating activities	9,521	-	9,521	40,570
Cash payments to employees for services	(267,006)	-	(267,006)	-
Cash payments to suppliers for goods or services	(366,185)	-	(366,185)	(42,440)
Net cash used by operating activities	(243,493)	-	(243,493)	(1,870)
Cash flows from non-capital financing activities:				
State grants received	6,118	-	6,118	-
Federal grants received	320,006	-	320,006	-
Net cash provided by non-capital financing activities	326,124	-	326,124	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(30,898)	-	(30,898)	-
Cash flows from investing activities:				
Interest on investments	89	22	111	3
Net increase (decrease) in cash and cash equivalents	51,822	22	51,844	(1,867)
Cash and cash equivalents beginning of year	115,998	20,960	136,958	4,067
Cash and cash equivalents end of year	\$ 167,820	\$ 20,982	\$ 188,802	\$ 2,200

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Enterprise Nonmajor- Childcare	Total	Internal Service Flexible Benefits
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (311,282)	\$ -	\$ (311,282)	\$ (1,870)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	16,166	-	16,166	-
Commodities used	44,138	-	44,138	-
(Decrease) in accounts receivable	63	-	63	-
Increase in accounts payable	3,118	-	3,118	-
Increase in salaries and benefits payable	4,738	-	4,738	-
(Decrease) in deferred revenue	(434)	-	(434)	-
Net cash used by operating activities	\$ <u>(243,493)</u>	\$ <u>-</u>	\$ <u>(243,493)</u>	\$ <u>(1,870)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$44,138 of federal commodities.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>5,526</u>
Liabilities:	
Accounts payable	33
Other payables	<u>5,493</u>
Total liabilities	\$ <u>5,526</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Howard-Winneshiek Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and preschool. The geographic area served includes the City of Cresco, Iowa, portions of the Cities of Ridgeway, Lime Springs, and Elma, Iowa and agricultural territory in Howard and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Howard-Winneshiek Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Howard-Winneshiek Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Howard and Winneshiek County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	200,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	8-15 years
Furniture and equipment	3-20 years

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>470,982</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>812,833</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.2% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/2010	6/23/2011	\$ -	\$ 375,000	\$ 375,000	\$ -

During the year ended June 30, 2011, the District paid \$9,979 of interest on the ISCAP warrants.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 721,253	\$ 8,451	\$ 9,300	\$ 720,404
Construction in progress	21,261	126,289	21,261	126,289
Total capital assets not being depreciated	<u>742,514</u>	<u>134,740</u>	<u>30,561</u>	<u>846,693</u>
Capital assets being depreciated:				
Buildings	16,368,993	-	342,327	16,026,666
Improvements other than buildings	712,028	-	18,825	693,203
Furniture and equipment	2,942,278	86,208	21,919	3,006,567
Total capital assets being depreciated	<u>20,023,299</u>	<u>86,208</u>	<u>383,071</u>	<u>19,726,436</u>
Less accumulated depreciation for:				
Buildings	5,989,839	420,222	304,671	6,105,390
Improvements other than buildings	380,168	53,178	18,825	414,521
Furniture and equipment	2,144,007	180,560	21,919	2,302,648
Total accumulated depreciation	<u>8,514,014</u>	<u>653,960</u>	<u>345,415</u>	<u>8,822,559</u>
Total capital assets being depreciated, net	<u>11,509,285</u>	<u>(567,752)</u>	<u>37,656</u>	<u>10,903,877</u>
Governmental activities capital assets, net	<u>\$ 12,251,799</u>	<u>\$ (433,012)</u>	<u>\$ 68,217</u>	<u>\$ 11,750,570</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 382,291	\$ 30,898	\$ 1,939	\$ 411,250
Less accumulated depreciation	<u>306,669</u>	<u>16,166</u>	<u>1,939</u>	<u>320,896</u>
Business-type activities capital assets, net	<u>\$ 75,622</u>	<u>\$ 14,732</u>	<u>\$ -</u>	<u>\$ 90,354</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 10,359
Support services:	
Administration	15,567
Operation and maintenance of plant services	9,571
Transportation	<u>145,063</u>
	180,560
Unallocated depreciation	<u>473,400</u>

Total governmental activities depreciation expense	\$ <u>653,960</u>
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Business-type activities:

Food service operations	\$ <u>16,166</u>
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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 1,420,581	\$ -	\$ 291,557	\$ 1,129,024	\$ 287,731
Revenue bonds	3,820,000	-	400,000	3,420,000	400,000
Capital lease purchase agreement	445,000	-	245,000	200,000	200,000
Net OPEB liability	46,000	90,000	-	136,000	-
Total	\$ 5,731,581	\$ 90,000	\$ 936,557	\$ 4,885,024	\$ 887,731

Early Retirement

The District offered a voluntary early retirement plan to employees for the year ended June 30, 2010 only.

Eligible employees had to be at least age fifty-five. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each participating licensed teacher or administrator is equal to 50% of the employee's base salary for the final year of employment plus \$3,000 for each year of employment with the District up to a maximum of 25 years. The base salary does not include teacher quality, phase II, or extra-curricular salary. The early retirement benefit for each participating non-certified employee is equal to 50% of the employee's base salary for the final year of employment plus \$1,500 for each year of employment with the District up to a maximum of 25 years. The base salary does not include extra-curricular salary, overtime, or additional hours worked. Early retirement benefits will be paid into a tax deferred benefit plan in five equal annual payments.

Under a previous plan, the early retirement benefit for each eligible employee was equal to \$150 per month toward health insurance through the District until the retiree qualifies for Medicare.

At June 30, 2011, the District has obligations to twenty-seven participants with a total liability of \$1,129,024. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$291,557. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2007			
	Interest Rates	Principal	Interest	Total
2012	4.25 %	\$ 400,000	\$ 52,910	\$ 452,910
2013	4.25	420,000	35,910	455,910
2014	4.30	420,000	18,060	438,060
Subtotal		1,240,000	106,880	1,346,880
Year Ending June 30,	Issue dated November 1, 2009			
	Interest Rates	Principal	Interest	Total
2012	- %	\$ -	\$ 86,198	\$ 86,198
2013	-	-	86,198	86,198
2014	-	-	86,198	86,198
2015	-	-	86,198	86,198
2016	3.125	180,000	86,197	266,197
2017	3.375	190,000	80,572	270,572
2018	4.000	195,000	74,160	269,160
2019	4.000	205,000	66,360	271,360
2020	4.000	210,000	58,160	268,160
2021	4.000	220,000	49,760	269,760
2022	4.000	230,000	40,960	270,960
2023	4.200	240,000	31,760	271,760
2024	4.200	250,000	21,680	271,680
2025	4.300	260,000	11,180	271,180
Subtotal		2,180,000	865,581	3,045,581
Total		\$ 3,420,000	\$ 972,461	\$ 4,392,461

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the \$3,945,000 bonds issued in August 2007 and October 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District but the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 25 to 50 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$4,392,461. For the current year, principal and interest of \$570,474 was paid on the bonds and total statewide sales and services tax revenues were \$1,088,274.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- (a) The bonds will be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$394,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Lease Purchase Agreement

The District has entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, operation, maintenance, and administration of a school building to be used jointly by the District and the College. The College is responsible for construction, debt, and normal operating costs of the building. The District is responsible for capital improvements. In September 2001, the District finalized a ten year lease purchase agreement with the College for use of the facilities. The College will also be paying the District \$30,000 in rent each year. At the end of five years, the College has the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. If the College does not exercise their purchase option, the District has the option to purchase the facility for \$1 at the end of the ten years.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2011 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.60 %	\$ <u>200,000</u>	\$ <u>9,200</u>	\$ <u>209,200</u>

During the year ended June 30, 2011, the District paid \$245,000 on the capital lease purchase agreement.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in the Northeast Iowa Schools Insurance Trust (Trust), which is a cost-sharing multiple-employer plan, as authorized by Chapter 28E of the Code of Iowa. The Trust provides medical and dental insurance benefits for retirees and their spouses. There are 1,086 active and 151 retired members in the Trust. The District has 157 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark through the Trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The 28E agreement provides that contribution requirements of plan members and the participating employees are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month depending on the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 127,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(16,000)</u>
Annual OPEB cost	112,000
Contributions made	<u>(22,000)</u>
Increase in net OPEB obligation	90,000
Net OPEB obligation beginning of year	<u>46,000</u>
Net OPEB obligation end of year	<u>\$ 136,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$22,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 112,000	19.6%	\$ 136,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$880,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$880,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,169,000, and the ratio of the UAAL to covered payroll was 12.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 and applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$4,746 during the term of the lease.

The total lease payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 56,958
2013	56,958
2014	56,958
2015	<u>9,493</u>
	<u>\$ 180,367</u>

Total payments under the lease agreement for the year ended June 30, 2011 were \$56,766.

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Pension and Retirement Benefits (continued)

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$509,298, \$528,290, and \$494,952, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Howard-Winneshiek Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Northeast Iowa Schools Insurance Trust

Health – Effective September 1, 1998 four school districts adopted a resolution to establish a 28E organization to provide an insurance plan for employee medical coverage. Since inception, eight new school districts have been added to and two school districts have left the trust for a total of ten districts currently participating in the plan. Effective July 1, 2009, the Trust switched to a fully insured health insurance plan with self-funding of the difference between the employee deductible and the deductible on the policy purchased.

Dental – The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$1,000 per member per calendar year.

The District's contributions to the Trust for the years ended June 30, 2011, 2010, and 2009 were \$1,781,536, \$1,760,175, and \$1,849,487, respectively, equal to the required contributions for each year. The total premiums paid into the Trust by all member Districts and retirees from July 1, 2009 to June 30, 2010 (latest available audited financial statements) were \$11,674,510.

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$594,473 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 2,805
Four-year-old preschool	68,415
Beginning teacher mentoring and induction	2,224
Salary improvement program	42,167
Professional development for model core curriculum	49,953
Professional development	69,109
Market factor	10,483
Market factor incentives	2,671
Textbook aid for nonpublic students	<u>3,978</u>
Total	<u>\$ 251,805</u>

Note 13. Construction Commitments

The District has entered into a contract totaling \$270,482 for a driveway project. As of June 30, 2011, work on the project had not yet begun.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,748,478	\$ 396,855
Change in fund type classification per implementation of GASB Statement No. 54	<u>396,855</u>	<u>(396,855)</u>
Balances July 1, 2010, as restated	<u>\$ 2,145,333</u>	<u>\$ -</u>

Note 15. Contingency

The District has one ongoing lawsuit. The outcome of the case cannot be determined at this time.

Note 16. Subsequent Event

In February 2012, the Board approved a contract totaling \$997,667 for the Lime Springs Learning Center and Tornado Safe Room project.

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Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 8,156,350	\$ 390,180	\$ 8,546,530	\$ 8,214,425	\$ 8,214,425	\$ 332,105
State sources	7,126,600	6,118	7,132,718	8,596,343	8,596,343	(1,463,625)
Federal sources	948,442	378,124	1,326,566	960,000	960,000	366,566
Total revenues	16,231,392	774,422	17,005,814	17,770,768	17,770,768	(764,954)
EXPENDITURES/EXPENSES:						
Instruction	9,203,216	-	9,203,216	9,835,000	9,995,000	791,784
Support services	4,294,836	9,099	4,303,935	5,135,824	5,135,824	831,889
Non-instructional programs	25,141	692,252	717,393	695,000	820,000	102,607
Other expenditures	1,591,991	-	1,591,991	2,782,735	2,782,735	1,190,744
Total expenditures/expenses	15,115,184	701,351	15,816,535	18,448,559	18,733,559	2,917,024
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,116,208	73,071	1,189,279	(677,791)	(962,791)	2,152,070
Other financing sources, net	376	-	376	5,000	5,000	(4,624)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,116,584	73,071	1,189,655	(672,791)	(957,791)	2,147,446
Balance beginning of year	3,668,318	207,583	3,875,901	2,485,359	2,485,359	1,390,542
Balance end of year	\$ 4,784,902	\$ 280,654	\$ 5,065,556	\$ 1,812,568	\$ 1,527,568	\$ 3,537,988

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$285,000.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,045	\$ 1,045	0.0%	\$ 7,795	13.4%
2010	July 1, 2008	-	1,022	1,022	0.0%	7,944	12.9%
2011	July 1, 2010	-	880	880	0.0%	7,169	12.3%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 465,173	\$ 356,871	\$ 492,191	\$ 1,314,235
Receivables:				
Property tax:				
Current year	5,542	-	-	5,542
Succeeding year	573,743	-	-	573,743
Accrued interest	-	735	-	735
Accounts	-	3,609	-	3,609
Total assets	\$ 1,044,458	\$ 361,215	\$ 492,191	\$ 1,897,864
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,743	\$ 5,293	\$ -	\$ 11,036
Deferred revenue:				
Succeeding year property tax	573,743	-	-	573,743
Total liabilities	579,486	5,293	-	584,779
Fund balances:				
Restricted for:				
Revenue bonds	-	-	176,500	176,500
Revenue bonds sinking fund	-	-	269,554	269,554
Debt service	-	-	46,137	46,137
Management levy purposes	464,972	-	-	464,972
Student activities	-	355,922	-	355,922
Total fund balances	464,972	355,922	492,191	1,313,085
Total liabilities and fund balances	\$ 1,044,458	\$ 361,215	\$ 492,191	\$ 1,897,864

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 400,572	\$ -	\$ -	\$ 400,572
Other	41,287	328,171	555	370,013
State sources	226	-	-	226
Total revenues	<u>442,085</u>	<u>328,171</u>	<u>555</u>	<u>770,811</u>
Expenditures:				
Current:				
Instruction	199,874	320,056	-	519,930
Support services:				
Administration services	75,557	-	-	75,557
Operation and maintenance of plant services	101,792	-	-	101,792
Transportation services	46,433	-	-	46,433
Non instructional programs	25,141	-	-	25,141
Other expenditures:				
Long term debt:				
Principal	-	-	645,000	645,000
Interest and fiscal charges	-	-	194,239	194,239
Total expenditures	<u>448,797</u>	<u>320,056</u>	<u>839,239</u>	<u>1,608,092</u>
Excess (deficiency) of revenues over (under) expenditures	(6,712)	8,115	(838,684)	(837,281)
Other financing sources:				
Interfund transfers in	-	-	812,833	812,833
Net change in fund balances	(6,712)	8,115	(25,851)	(24,448)
Fund balances beginning of year	<u>471,684</u>	<u>347,807</u>	<u>518,042</u>	<u>1,337,533</u>
Fund balances end of year	<u>\$ 464,972</u>	<u>\$ 355,922</u>	<u>\$ 492,191</u>	<u>\$ 1,313,085</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,915,669	\$ 570,766	\$ 2,486,435
Receivables:			
Property tax:			
Current year	-	2,556	2,556
Succeeding year	-	213,334	213,334
Income surtax	-	220,586	220,586
Accounts	781	-	781
Due from other governments	209,161	30,000	239,161
Total assets	\$ 2,125,611	\$ 1,037,242	\$ 3,162,853
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 13,788	\$ 15,800	\$ 29,588
Deferred revenue:			
Succeeding year property tax	-	213,334	213,334
Other	-	220,586	220,586
Total liabilities	13,788	449,720	463,508
Fund balances:			
Restricted for:			
Revenue bonds	218,000	-	218,000
School infrastructure	1,893,823	-	1,893,823
Physical plant and equipment	-	587,522	587,522
Total fund balances	2,111,823	587,522	2,699,345
Total liabilities and fund balances	\$ 2,125,611	\$ 1,037,242	\$ 3,162,853

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,088,274	\$ 398,232	\$ 1,486,506
Other	29,530	75,141	104,671
State sources	4,550	104	4,654
Federal sources	53,120	-	53,120
Total revenues	<u>1,175,474</u>	<u>473,477</u>	<u>1,648,951</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	20,528	-	20,528
Administration services	10,367	-	10,367
Transportation services	92,933	-	92,933
Other expenditures:			
Facilities acquisition	140,693	17,586	158,279
Total expenditures	<u>264,521</u>	<u>17,586</u>	<u>282,107</u>
Excess (deficiency) of revenues over (under) expenditures	910,953	455,891	1,366,844
Other financing sources (uses):			
Sale of real property	-	1	1
Interfund transfers out	(547,608)	(265,225)	(812,833)
Total other financing sources (uses)	<u>(547,608)</u>	<u>(265,224)</u>	<u>(812,832)</u>
Net change in fund balances	363,345	190,667	554,012
Fund balances beginning of year, as restated	<u>1,748,478</u>	<u>396,855</u>	<u>2,145,333</u>
Fund balances end of year	<u>\$ 2,111,823</u>	<u>\$ 587,522</u>	<u>\$ 2,699,345</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 7,238	\$ 110,772	\$ 108,423	\$ 9,587
Business Club	244	-	-	244
Class of 2011	560	390	-	950
Class of 2012	4,123	752	637	4,238
Concessions	262	4,169	3,661	770
Crest Newspaper	2,453	-	1,459	994
Cresco Elementary Activity	25,652	61,432	60,040	27,044
Junior High Yearbook	-	2,342	2,150	192
Elma Elementary	9,814	788	1,569	9,033
Future Farmers of America - FFA	91,342	61,178	50,114	102,406
High School Cheerleaders	5,155	10,641	15,796	-
High School Drama	4,223	4,028	3,920	4,331
High School Student Clubs	147	-	-	147
High School Student Council	941	8,891	8,720	1,112
Horticulture Club	3,174	330	1,681	1,823
Instrumental Music	6,995	5,011	5,795	6,211
Junior High Drama	3,165	1,881	1,111	3,935
Junior High Music	20,250	10,174	8,767	21,657
Junior High Student Council	258	6,285	6,457	86
Junior High Cheerleaders	1,960	470	726	1,704
Language Club	277	-	-	277
Lime Springs Elementary	16,833	2,024	3,254	15,603
Magazine Sales	6,186	12,211	7,941	10,456
National Honor Society	712	300	407	605
Picture Money	1,497	229	-	1,726
Ridgeway Elementary Student Council	2,800	-	361	2,439
Robe Fund	5,480	31	3,740	1,771
Unallocated Interest Income	85,107	3,247	1,797	86,557
Vocal Music	34,390	10,226	11,132	33,484
Yearbook	2,631	10,352	10,007	2,976
SADD	84	17	-	101
Honor Roll	3,854	-	391	3,463
Total	\$ 347,807	\$ 328,171	\$ 320,056	\$ 355,922

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 8,500	\$ 5,403	\$ 8,377	\$ 5,526
Liabilities				
Accounts payable	\$ 318	\$ 33	\$ 318	\$ 33
Other payables	8,182	5,370	8,059	5,493
Total liabilities	\$ 8,500	\$ 5,403	\$ 8,377	\$ 5,526

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 7,209,612	\$ 6,577,455	\$ 6,821,984	\$ 6,812,672
Tuition	215,829	319,924	227,553	204,089
Other	730,909	699,332	838,776	729,046
State sources	7,126,600	6,289,365	7,522,536	7,066,374
Federal sources	948,442	1,423,069	562,688	984,220
Total revenues	<u>\$ 16,231,392</u>	<u>\$ 15,309,145</u>	<u>\$ 15,973,537</u>	<u>\$ 15,796,401</u>
Expenditures:				
Instruction	\$ 9,203,216	\$ 9,438,459	\$ 9,446,490	\$ 8,546,096
Support services:				
Student services	308,468	381,992	445,080	522,259
Instructional staff services	498,324	747,430	565,222	452,757
Administration services	1,304,088	1,339,120	1,370,113	1,407,458
Operation and maintenance of plant services	1,189,005	1,229,526	1,333,747	1,258,183
Transportation services	994,951	1,225,877	1,083,458	973,684
Non-instructional programs	25,141	32,461	25,615	9,324
Other expenditures:				
Facilities acquisition	158,279	906,176	1,001,601	2,446,356
Long-term debt:				
Principal	645,000	995,000	996,364	923,636
Interest and fiscal charges	194,239	185,572	167,855	191,055
AEA flowthrough	594,473	578,150	534,196	515,279
Total expenditures	<u>\$ 15,115,184</u>	<u>\$ 17,059,763</u>	<u>\$ 16,969,741</u>	<u>\$ 17,246,087</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 6,378,914	\$ 6,087,320	\$ 5,996,093
247,706	184,356	198,164
759,814	700,910	704,802
6,681,279	6,544,167	6,488,279
798,154	627,384	834,432
<u>\$ 14,865,867</u>	<u>\$ 14,144,137</u>	<u>\$ 14,221,770</u>
\$ 8,247,963	\$ 8,031,145	\$ 7,657,561
484,839	467,585	621,567
604,306	503,050	560,822
1,290,720	1,191,906	1,180,804
1,170,965	1,142,621	1,138,546
783,180	781,515	710,992
25,399	16,509	20,168
812,778	235,986	604,332
737,457	625,472	703,001
155,746	180,759	209,629
485,091	467,927	466,256
<u>\$ 14,798,444</u>	<u>\$ 13,644,475</u>	<u>\$ 13,873,678</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 40,961
National School Lunch Program	10.555	FY 11	267,620
National School Lunch Program (non-cash)	10.555	FY 11	44,138
Summer Food Service Program for Children	10.559	FY 11	25,405
			<u>378,124</u>
Team Nutrition Grants	10.574	FY 11	<u>344</u>
U. S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
City of Lime Springs:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	10-CF-007	<u>18,995</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	3029G	158,207
Title I Grants to Local Educational Agencies	84.010	3029GC	11,992
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	93,813
			<u>264,012</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>66,008</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>7,980</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	72,887
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	65,012
			<u>137,899</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Keystone Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	\$ 77,812
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	100,971
			<u>178,783</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>4,460</u>
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP- DR-1854	<u>34,125</u>
Total			\$ <u><u>1,090,730</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Howard-Winneshiek Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard-Winneshiek Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Howard-Winneshiek Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Howard-Winneshiek Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Howard-Winneshiek Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-Winneshiek Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 22, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Howard-Winneshiek Community School District:

Compliance

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Howard-Winneshiek Community School District's management. Our responsibility is to express an opinion on Howard-Winneshiek Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howard-Winneshiek Community School District's compliance with those requirements.

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a significant deficiency.

Howard-Winneshiek Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Howard-Winneshiek Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 22, 2012

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Financial Reporting – During the audit, we identified material amounts of receivables and capital assets additions not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and capital assets additions are identified and properly recorded in the District’s financial statements.

Response – We will double check these in the future to make sure all receivables and capital asset transactions are properly recorded.

Conclusion – Response accepted.

- II-B-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, the posting of the cash receipts to the cash receipts journal, the bank deposits, and all payroll activity were all done by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

- II-C-11 School Nutrition Inventory – We noted that the School Nutrition inventory amount was not properly adjusted to the actual value at year end. We also noted differences in count numbers and unit prices on some items. In addition, the inventory balance appears rather high for the size of the school district.

Recommendation – The District should develop procedures to properly and accurately count, price, and record the School Nutrition inventory. The process should include actual physical counts of items on hand and an independent review. The District should also consider using down the inventory to more manageable levels to help prevent any spoilage.

Response – We will consider developing the recommended procedures and lowering the inventory levels.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies and
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Years: 2010 and 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all payroll activity is performed by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,748,478	
Revenues:				
Sales tax revenues	\$	1,088,274		
Other local revenues		29,530		
State grants		4,550		
Federal grants		<u>53,120</u>	1,175,474	
Expenditures/transfers out:				
School infrastructure construction services		151,060		
Equipment		113,461		
Transfers to other funds:				
Debt Service Fund		<u>547,608</u>	<u>812,129</u>	
Ending balance		\$	<u><u>2,111,823</u></u>	

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.